

OUTLIER EXAMPLE

The following example simulates the outlier payment for a case at a generic hospital in the San Francisco, California CBSA, which is a large urban area. The patient was discharged on or after October 1, 2005 and the hospital incurred Medicare approved charges of \$125,000. The DRG assigned to the case was 498. The hospital is 100% Federal for capital payment purposes.

Step 1: Determine federal payment with IME and DSH based on the following values:

DRG 498 Relative Weight	2.7791
Operating	
National Large Urban Standardized Amounts	
Labor-related	\$3,297.84
Nonlabor-related	\$1,433.63
San Francisco CBSA Wage Index	1.4974
IME Operating Adjustment Factor	0.0744
DSH Operating Adjustment Factor	0.1413
Labor Related Portion	0.697
Nonlabor Related Portion	0.303

Federal Rate for Operating Costs = DRG Relative Weight x [(Labor Related Large Urban Standardized Amount x San Francisco CBSA Wage Index) + Nonlabor Related National Large Urban Standardized Amount] x (1 + IME + DSH):

$$2.7791 \times [(\$3,297.84 \times 1.4974) + \$1,433.63] \times (1 + 0.0744 + 0.1413) = \$21,527.51$$

Capital

Federal Capital Rate	\$420.65
Large Urban Add-on	1.03
San Francisco MSA Geographic Adjustment Factor	1.3185
IME Capital Adjustment Factor	0.0243
DSH Capital Adjustment Factor	0.0631

Federal Rate for Capital Costs = DRG Relative Weight x Federal Capital Rate x Large Urban Add-On x Geographic Cost Adjustment Factor x (1 + IME + DSH):

$$2.7791 \times \$420.65 \times 1.03 \times 1.3185 \times (1 + 0.0243 + 0.0631) = \$1,726.36$$

Step 2: Determine Costs:

Billed Charges	\$125,000
Operating Cost to Charge Ratio	0.45

Operating Costs = (Billed Charges x Operating Cost to Charge Ratio)
 (\$125,000 x .45) \$56,250

Capital Cost to Charge Ratio 0.06

Capital Costs = (Billed Charges x Capital Cost to Charge Ratio)
 (\$125,000 x .06) \$7,500

Step 3: Determine Outlier Threshold

Fixed Loss Threshold \$23,600

Operating CCR to Total CCR
 (Operating CCR) / (Operating CCR + Capital CCR) 0.8824
 (.45) / (.45 + .06)

Operating Outlier Threshold = { [Fixed Loss Threshold x ((Labor related portion x San Francisco CBSA Wage Index) + Nonlabor related portion)] x Operating CCR to Total } + Federal Payment with IME and DSH:

{ \$23,600 x [(0.697 x 1.4974) + 0.303] x 0.8824 } + \$21,527.51 = \$49,571.80

Capital CCR to Total CCR
 [Capital CCR] / (Operating CCR + Capital CCR) 0.1176
 (.06) / (.45 + .06)

Capital Outlier Threshold = (Fixed Loss Threshold x Geographic Adj. Factor x Large Urban Add-On x Capital CCR to Total CCR) + Federal Payment with IME and DSH:

(\$23,600 x 1.3185 x 1.03 x 0.1176) + \$1,726.36 = \$5,495.45

Step 4: Determine Outlier Payment:

Marginal Cost Factor 0.80

Outlier Payment = (Costs - Outlier Threshold) x Marginal Cost Factor

Operating
 (\$56,250 - \$49,571.80) x 0.80 = \$5,342.56

Capital

$$(\$7,500 - \$5,495.45) \times 0.80 =$$

\$1,603.64

Combined operating and capital costs for a case must exceed the combined threshold to qualify for an outlier payment.